

Home Improvement Contractors: What You Need to Know

Information is provided as a courtesy to assist in your dealings with contractors and others as you go forward with your PIP home improvements. It is important for you to keep in mind that MSHDA is NOT a party to the contract agreement and not responsible for enforcing the contract.

Maintenance and Alteration Contractors, Builders, Painters, And Carpenters

If you plan to use a maintenance and alteration contractor, residential builder, painter or carpenter, it is wise to get at least two estimates.

Select a contractor with a reputation for honesty and good workmanship. If you do not check out the contractor, you could end up with big problems. There several ways to check:

- Hire someone who has established a good working reputation in the community and does the type of work you require. The contractor should be in business fulltime on a year round basis. All residential contractors must be licensed by the state of Michigan, hold property liability insurance and workers compensation insurance. Always ask prospective contractors for proof of current licensing and insurance.
- Ask your local Chamber of Commerce, Better Business Bureau, and local community building inspector for community references on prospective contractors
- Check with the State of Michigan's Corporation, Securities and Commercial Licensing Bureau for verification of builders or maintenance & alteration license; call 517.373.8376 or check contractor listings: michigan.gov/builders
- Make sure your prospective contractor is not listed on the Michigan Contractors/Builders Debarment List. Michigan debarment information can be found at <u>Buy Michigan First</u>.
- Check Limited Liability Companies (LLC) and/or other corporation types for certificate of good standing with the State of Michigan's <u>Department of Licensing</u> and <u>Regulatory Affairs</u>.
- Ask for names and telephone numbers of other customers for which the contractor has performed work. Talk to them and ask if they were happy with the contractor's performance.
- Visit the contractor's place of business to see if he or she operates professionally

Obtain referrals from friends, neighbors, or relatives who have been pleased with a contractor's work. Check with local building material suppliers for professional references.

Comparing Contractors and Bids

Always obtain professional "scope of work" specifications from a design professional, local building inspector or agent specializing in residential inspections. This will insure all prospective contractors will be quoting prices on the exact same line items. Be sure to get contractor bids in writing including line item costs i.e. roofing, siding, windows etc. and the total dollar amount of the project. A bid proposal should also state if the contractor:

- Provide a final set of working plans and/or specifications before construction begins.
- Allow you to make changes during construction if the changes are in writing.
- Give you a complete written warranty on the work and materials.

Give you applicable maintenance procedures and produce manufactures warrantees on all equipment i.e. furnace, hot water heaters, appliances etc.

Selecting Your Contractor and Signing the Contractual Agreement If possible, have an attorney or design professional review the contractual agreement before signing the agreement with the contractor.

The contractor must agree to all provisions of the Michigan State Housing Development Authority Worksheet and Contractor/Borrower Agreement (H-3) form. This agreement ensures:

- Protection from lawsuits if a worker is injured on the job
- The contractor will provide lien waivers for all workers, sub-contractors and suppliers that provide labor and/or materials to your residence. The contractor must abide by all rules, regulations and provisions of the Michigan Lien Recovery Act.
- The contractor will secure all necessary permits and licenses to perform the work and to comply with all state and local codes and ordnances

In addition to any other warranties, rights and remedies you may have, the contractor must agree to correct any defects in workmanship and material up to two years from the date of the Property Improvement Program (PIP) note.

Contractor Payments

When paying for improvements as per contractual agreement always:

- Pay for completed tasks per line item (roofing, siding, window, doors etc.)
- Never pay a large portion or the full amount of the contract before the work is done
- Get lien wavers from sub-contractors, labors and suppliers as they are paid.
 Record payments to date, sub-contractor and supplier balances.
- Never pay in cash. Always get receipt of payment.
- Make final payment only when you are satisfied with the results of your project
- Checks issued by your lending institution will be issued jointly to you and the contractor

NOTE: MSHDA is NOT a party to the contract agreement and not responsible for enforcing any such agreements.

If you have issues with a contractor:

- Consult with an attorney, legal aid
- Consult with a local building inspector

Consult with your local prosecutor's office or State of Michigan's Corporation, Securities and Commercial Licensing Bureau at 517-241-9202.

Frequently Asked Questions

Q. The contractor who came to my house said he would cut his price if I signed right away. Should I sign?

A. No. The contractor may have been trying to pressure you into making a snap decision. Always get additional estimates, and take your time in order to make the best choice. Also, remember that under state law, you may generally cancel within three days a contract that was signed at your home. For specifics, contact your community agency or lender.

Q. Can my builder help me fill out the MSHDA loan application?

A. No. A contractor, builder, remodeler, or carpenter must NEVER help you complete a MSHDA loan application, quote interest rates, drive you to the bank, or contact the bank in your behalf. Only you as the borrower should be dealing with the bank (bank can also mean savings and loan or credit union).

Q. Can I do some of the improvements myself to save money?

A. No., the improvements must be completed by a contractor qualified to do the improvements. Some improvements require licensed contractors.

Q. My contractor is willing to start the work before my loan is closed. Should I let him?

A. No. If MSHDA or the bank finds out that work was started before the loan was closed, your loan will be CANCELED. If you have an emergency and need immediate repairs, please contact your bank for assistance.

Q. What do you mean by "waiver of liens"?

A. Under state law a contractor, subcontractor, supplier, etc., may place a lien (a charge or claim) against property if he or she does not receive payment for goods or services provided. Someone holding a valid lien could foreclose, forcing you out of your home! Waivers of liens provide proof that the contractor has paid any subcontractors or suppliers. Ask your financial institution for more information.

Q. Can I get a home improvement loan if I am buying a house on a land contract?

A. No, since you do not hold title to your home until the land contract is paid in full, you do not meet the PIP loan requirements.